

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 COME-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01

SP-03 SS-20 USIA-15 OMB-01 TRSE-00 INT-08 STR-08

AID-20 DRC-01 /134 W

----- 115935

R 190530Z APR 74

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 2787

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E.O. 11652: N/A

TAGS: EIND, ETRD, BG

SUBJ: US FERROUS SCRAP EXPORTS-BANGLADESH: SECOND QUARTER

REF: A. STATE 55392 B. DACCA 784 C. DACCA 1671

1. APPRECIATE FULL EXPLANATION AND OTHER DATA GIVEN REF A AS WELL AS WILLINGNESS TO CONSIDER EXPANSION LIST OF US SCRAP EXPORTERS AUTHORIZED TO EXPORT TO BANGLADESH. LOOK FORWARD TO REPORT OF RESULTS YOUR REVIEW.

2. BANGLADESH STILL IN CRITICAL NEED SCRAP IMPORTS. HENCE THEIDU DRAWDOWN FROM \$50 MILLION IDA COMMODITY LOAN OF PBRITION FOR IMPORT 10,000 METRIC TONS OF SCRAP (REF B). THEY HAD HOPED THEIR TENDER NOTICE WOULD ATTRACT BIDDERS FROM NUMBER IDA-MEMBER COUNTRIES. AS IT TURNED OUT, ONLY TWO BIDS RECEIVED; ONLY ACCEPTABLE ONE WAS FROM US. FINANCING FOR FULL US PURCHASE NOW BEING ARRANGED THROUGH AID (REF C). IDA FUNDING WILL BE UTILIZED FOR FUTURE PURCHASES.

3. BANGLADESH STEEL MILLS CORP. (SMC) ADVISES THAT ANOTHER TENDER NOTICE FOR 10,000 TONS WILL SHORTLY BE ISSUED, DRAWING ON THE IDA FUNDS.

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4. SMC VERY MUCH WISHES TO ENLARGE US QUOTA FROM "NORMAL" ALLOCA-

TION OF 3,830 TONS FOR SECOND QUARTER TO TOTAL ALLOCATION AGAIN OF 10,000 TONS. UNDERSTAND BANGLADESH EMBASSY WASHINGTON WILL SHORTLY BE MAKING AN APPEAL IN THRI CONNECTION. US MISSION HERE HOPES THAT GIVEN SCARCITY IN ALMOST EVERY ESSENTIAL COMMODITY WHICH BANGLADESH IS TRYING TO IMPORT AND GIVEN CONTINUING STAGNATION OF ECONOMY AS RESULT, BANGLADESH WILL BE CONSIDERED AS "COUNTRY HARDSHIP CASE" AND AN APPROPRIATE EFFORT WILL BE MADE TO ATTEMPT TO ACCOMMODATE CRUCIAL REQUIREMENT HERE.

5. QUESTION MAY ARISE IN WASHINGTON WHY BANGLADESH CHOSE AT ONE POINT TO USE IDA FINANCING TO GET 10,000 TONS SCRAP WHILE SIMULTANEOUSLY AID FINANCING UNDER CONSIDERATION, AT THAT TIME FOR 6,170 TONS FROM US. BECAUSE CERTAINTY OF AID FINANCING NOT CLEAR AND BECAUSE BANGLADESH ALSO HOPED TO DRAW ON SUPPLIES FROM OTHER COUNTRIES, IT PROCEEDED TO SEEK BIDS UNDER IDA FINANCING. NO INTENTION HERE TO EXECUTE END-RUN AROUND AID, GET 10,000 TONS FROM US WITH IDA FUNDING, AND THEN NOT DIVERT 6,170 TONS TO REBARS FOR AID PROJECTS. GIVEN CONDITIONALITY OF ALLOCATION OF THE 6,170 TONS, THIS WOULD HAVE BEEN A NON-STARTER TO BEGIN WITH. FURTHERMORE, NOW ALL OF FIRST-QUARTER SHIPMENT TO GO TO MAKE REBARS FOR AID PROJECTS, NOT JUST 6,170 TONS. SMC, EMBASSY AND AID HAVE BEEN IN CONTINUAL CONTACT ON FERROUS SCRAP, AND IN OUR VIEW AT NO TIME HAS CORPORATION BEEN LESS THAN WHOLLY ABOVE BOARD.
BOSTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, IMPORTS, LOANS, PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Draft Date: 19 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974DACCA01740
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740091-0524
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740430/aaaabanl.tel
Line Count: 85
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. STATE 55392 B. DACCA 784 C. DACCA
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2002 by elyme>; APPROVED <12-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US FERROUS SCRAP EXPORTS-BANGLADESH: SECOND QUARTER
TAGS: EIND, ETRD, BG
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005